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GIANT  
MASCOT  
MINES  
LIMITED

TWENTIETH  
ANNUAL  
REPORT  
1970







## GIANT MASCOT MINES LIMITED

*(Incorporated under the Laws of the Province of British Columbia)*

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Listed on the Vancouver and Toronto Stock Exchanges

### TWENTIETH ANNUAL REPORT

#### **DIRECTORS**

A.H. AINSWORTH, Vancouver

K.G. BREAM, Vancouver

R.B. CARLETON, Montreal

J.L. GIBSON, Vancouver

W.C. GIBSON, Vancouver

H.A. McDIARMID, Vancouver

L.P. STARCK, Vancouver

J.T. WANAMAKER, Montreal

#### **OFFICERS**

W.C. GIBSON, Chairman of the Board

L.P. STARCK, President and Managing Director

J.T. WANAMAKER, Vice-President, Finance

A.H. AINSWORTH, Secretary and General Counsel

R.J. COBB, Treasurer and Chief Financial Officer

#### **REGISTERED OFFICE**

625 - 925 West Georgia Street, Vancouver

#### **ADMINISTRATIVE OFFICE**

1131 Melville Street, Vancouver

#### **REGISTRAR AND TRANSFER AGENTS**

Canada Permanent Trust Company, Vancouver and Toronto

#### **SOLICITORS**

Ainsworth, Henson, Norby, Purvis & Kendall, Vancouver

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## GIANT MASCOT MINES LIMITED

### PRESIDENT'S REPORT ON BEHALF OF THE BOARD

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The broadening of Giant Mascot's participation in the natural resources field in Canada by the acquisition of an interest in Panarctic Oils Ltd., and an increase of some 30% in the ore reserves at the Giant Nickel Mine were two of the highlights of the year ended September 30, 1970, which has not only been one of the most exciting and rewarding in the Company's history, but also one of the most challenging in view of the undertaking of the reconstruction of the concentrator and related facilities at the Giant Nickel Mine destroyed by fire on August 2nd, 1970.

#### **Acquisition of Interest in Panarctic Oils Ltd.**

The Company has acquired all the issued shares of Eagle Ridge Petroleum Ltd., and the shareholder's advances made to it up to June 30, 1970, and has assumed responsibility for advancing the funds required to meet present obligations to Panarctic Oils Ltd. and has the opportunity to maintain its wholly owned subsidiary's percentage interest in Panarctic by providing the funds for future assessments. Eagle Ridge holds an interest of approximately 4.52% in Panarctic and its related consortium, in which a number of major Canadian mining and petroleum companies and the Canadian Government are engaged in the exploration for oil and gas in Canada's Arctic Islands. This exploration program has already resulted in major natural gas discoveries at Drake Point on

Melville Island and, of recent date, on King Christian Island. The exploration program to date, however, has only served to test a small number of the potential zones contained in the more than 50,000,000 acres of petroleum and natural gas lands held by Panarctic under permit and farm-in agreements in Canada's Arctic Islands which has been described as having the largest sedimentary area in the Western Hemisphere with undeveloped prospects of oil and gas.

#### **Ore Reserves and Operations**

The nickel-copper ore reserves at the Giant Nickel Mine have been increased to 1,382,002 tons of proven and probable ore as compared with 1,088,266 tons established at the time of the last annual report. The increase of 293,736 tons in the reserves and the replacement of the 301,693 tons mined and treated in the year ended September 30, 1970, represent new ore discoveries of some 600,000 tons. A detailed report on the operations at the Giant Nickel Mine and on the exploration and development programs carried out at the Giant Copper, Nickel Plate, Giant Soo and Nickel Syndicate properties accompanies this report.

#### **Sales**

Effective March 1, 1970, the Company entered into a new three year contract for the sale of nickel-copper bulk concentrates to the

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Sumitomo group. Under the new contract, the Company has the right to toll 25% of each shipment and receive delivery of the equivalent in electrolytic nickel in Japan for sale for its own account. Pursuant to the provision, the Company elected to toll 25% of all shipments made prior to the suspension of operations as the result of the fire, and the bulk of the nickel received has been sold on terms advantageous to the Company.

The increase in the Inco posted price of nickel from \$1.28 U.S. to \$1.33 U.S. per pound will in part offset the reduction in the premium on the U.S. dollar and the high ratio of nickel to copper in the present Giant Nickel ore reserves should minimize the effect of declining world copper prices.

#### **Earnings**

Increased nickel proceeds and an improvement in average ore grades resulted in the highest earnings since the commencement of production, notwithstanding the fact that the plant operated for only ten months.

#### **Reconstruction**

Following the total destruction of the concentrator and related surface facilities and ancillary buildings by fire on August 2nd, 1970, reconstruction was initiated immediately with the objective of resuming production early in 1971. The Company's general consultants for the reconstruction program are Wright Engineers Limited and Commonwealth

Construction Company Limited is the general contractor. As noted in the accompanying financial statements, the company's insurance policies in effect at the time of the fire, having a total coverage estimated at some 5 million dollars in the aggregate, combine physical loss on a replacement cost basis, business interruption loss and sundry losses.

#### **Changes in Share Capital**

On April 30, 1970, the Company issued, by way of private placement, 1,000,000 shares at a price of \$3.00 per share for a lump sum subscription of \$3,000,000. In order to acquire Eagle Ridge Petroleum Ltd., the number of shares which the Company is authorized to issue was increased to 10,000,000 shares N.P.V. pursuant to the special resolution adopted by the shareholders on July 23rd, 1970. The issued capitalization is now 8,693,728 shares.

#### **Appointments**

During the year, the writer became President of the Company, and subsequently made a number of other management appointments to meet the expanded scale of operations, both present and anticipated.

Mr. Robert J. Cobb, C.A., who joined the Company in August, has been appointed Treasurer and Chief Financial Officer of the Company and its affiliated and subsidiary Companies. Mr. Walter E. Clarke, P.Eng., who for some years has acted as a consultant to the

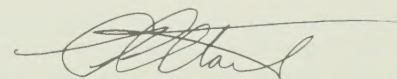
Company, has been appointed Chief Geologist – Manager Explorations.

#### **Future Prospects**

With the discovery of new ore occurrences at the Giant Nickel Mine, the reconstruction of the concentrator well under way, and continuing participation in the exploration of Panarctic holdings, which are potentially a major energy source in North America, the foundation is laid for further growth of the Company in 1971. In addition to expanding its exploration activities on the Giant Nickel Mine and its other properties, the Company will continue to seek out further opportunities to broaden its participation in the development of natural resources generally.

The Directors wish to record their appreciation for the efforts and cooperation of Mr. F.W. Holland, the General Manager, and of the staff and employees who have contributed to the progress of the Company.

On Behalf of the Board,



L.P. STARCK, President



## GIANT MASCOT MINES LIMITED OPERATING REPORT

Directors,  
Giant Mascot Mines Limited,  
1131 Melville Street,  
Vancouver 5, B.C.

Gentlemen:

The following is a report on the operations of the Giant Nickel Mine and the exploration programs carried out by the Company and its subsidiaries on other properties:

### Value of Mineral Production and Net Earnings

#### VALUE OF MINERAL PRODUCTION

	<u>Per Year</u>	<u>Per Ton</u>
1970	\$5,173,552	\$17.15
1969	3,469,505	10.95
1968	3,076,926	9.09

#### NET EARNINGS

	<u>Per Year</u>	<u>Per Ton</u>
1970	\$1,596,990	\$ 5.29
1969	\$ 579,740	\$ 1.83
1968	531,955	1.57

Increased prices for nickel and, throughout most of the year ended September 30, 1970, for copper, higher ore grades and improved

metallurgical recoveries resulted in the highest net earnings and mineral production proceeds in the history of the Company.

#### PRODUCTION

	<u>1970</u>	<u>1969</u>	<u>1968</u>
Ore treated (tons)	301,693	316,749	338,340
Nickel-copper concentrates produced (tons)	20,595	17,527	18,227
Nickel recovered (pounds)	4,037,291	3,496,000	3,769,561
Copper recovered (pounds)	2,277,994	1,930,339	1,417,703
Grade of ore treated			
% Nickel	0.83	0.72	0.675
% Copper	0.42	0.34	0.23

As a result of the fire on August 2nd, 1970, which destroyed the concentrator and surface establishment, the total tonnage of ore treated was lower than forecast. The average monthly production for the 10 months of operations, however, was 30,169 tons as compared with the previous highest average monthly production of 28,195 tons.

#### OPERATING COSTS (Per Ton)

	<u>1970</u>	<u>1969</u>
Mine development	\$0.78	\$0.98
Mining and exploration	3.91	3.96
Concentrating	1.50	1.49
Mine administration	0.38	0.30
	<u>\$6.57</u>	<u>\$6.73</u>

With the adoption of new accounting procedures, the mining, stope development and exploration costs have been combined under the heading "mining and exploration costs" set out above. The mine development cost as reported reflects the portion of the new level access and capital exploration expenditures chargeable in the years 1969 and 1970, the balance of such expenditures having been deferred to apply against subsequent years.

Notwithstanding the increased labour rates resulting from a new two year collective bargaining agreement effective May 1, 1970, and increased supply charges, the operating costs for 1970 were lower than in 1969 as a result of the increased monthly production rate.

#### ORE RESERVES AND MINE EXPLORATION

	<u>1970</u>	<u>1969</u>	<u>1968</u>
Tons	1,382,002	1,088,266	897,241
% Nickel	0.87	0.94	0.96
% Copper	0.44	0.52	0.52

The proven and probable ore reserves, as of the date of this report, after normal allowance for dilution and extraction factors, were 1,382,002 tons. This is approximately double the known reserves in July, 1959, when the Company first acquired an interest in the Giant Nickel operation. To date, 3,460,731 tons of ore

grading 0.82% nickel and 0.33% copper have been mined, making a total of 4,842,733 tons of ore developed on the property to date.

The major discovery of the Climax No. 1 ore zone in the 3050 drive to the Chinaman ore zone has added significantly to the ore reserves, as have the extensions to the 2200, 2663, 4400, 4600 and Chinaman zones.

Promising areas of mineralization are being explored in the 1700 and 1800 areas on 3050 level and in the Pride of Emory, 2663 and 1900 areas on 2600 level.

Following the suspension of production in August, completion of the 50,000 ft. capital exploration underground diamond drilling program previously in progress on the 3275 and 3550 levels was deferred in order to undertake longhole diamond drilling from the main 2600 haulage level in areas which would not be accessible during operations. This program has already provided a wealth of geological information, which, combined with regular exploration and development work, is contributing to a much more extensive knowledge and understanding of the geology and the areas favourable for ore deposition at the Giant Nickel Mine.

Significant nickel and copper mineralization was exposed by surface stripping of one of the

Trail anomalies. The Trail anomalies which lie to the west of the Chinaman and Climax zones, together with the Molly and Pass Zones, will be the focal point for next season's surface exploration program.

Three separate zones of mineralization have been established in the 2600 Portal area having an indicated tonnage of 2,375,000 grading 0.25% nickel and 0.11% copper. Further exploration work is scheduled for this area to increase grade and tonnage.

#### MINING

	<u>1970</u>	<u>1969</u>	<u>1968</u>
Raising (feet)	3,908	4,962	3,676
Drifting (feet)	3,596	3,451	3,422
Percussion			
Longhole			
Drilling (feet)	215,282	191,990	167,283
Diamond			
Drilling (feet)	70,120	55,077	48,965

Production during 1970 was mainly from the 1500, 2200, 4400, 4600 and Brunswick 2G zones. The 4300, 4600A, 1500, and the 4600 zone above 3550 level and below 2950 level are in various stages of stope development.

Since August, development work has consisted of a new ventilation and waste crosscut adit on the 2600 level, the 1900 crosscut from the 2600 main haulage level to develop the downward extension of the Climax No. 1 zone and the 3,000 foot drive on the 3050 level



## GIANT MASCOT MINES LIMITED OPERATING REPORT CONT'D)

to the Chinaman zone. This drive on 3050 level through virgin ground has intersected the new 1700 and Climax No. 1 ore zones, and will greatly facilitate exploration of the Trail and Climax geophysical and geochemical anomalies and known surface mineralized showings. To improve the servicing of the mine workings, new main ore passes have been driven in the 4400 and 4600 areas and the main shaft is being timbered in preparation to installing a new man skip.

### Concentrator

During the 10 months of operation, nickel recovery was 80.9% and copper recovery was 90.5%, as compared with 78.3% and 90.3%, respectively, last year.

The new concentrator is being rebuilt on the site of the original plant and will have the same basic flow sheet.

### Capital Expenditures

Major capital expenditures were made in the purchase of mine cars, diamond drills, automotive equipment and tractors, and the construction of a fine ore bin, snowsheds, and machine shop. Additions and renovations are presently being made to the tailings disposal system and to the 6 mile powerline from the highway to the main transformer station and from there to the 3550 level in order to provide for future increased power requirements of the mine.

### Outside Exploration

The Nickel Syndicate, a joint venture with Giant Explorations Limited (N.P.L.), continued exploration of the area lying to the west of the Giant Nickel property through to Harrison Lake. This year's program included an 85 square mile airborne magnetometer survey, reconnaissance geochemical surveys, the collection of geological data and claim staking. Several nickel-copper-lead geochemical anomalies, underlain by ultrabasic rocks, were found, which exhibited an interesting relationship with the airborne magnetometer anomalies.

The underground work on the 1500 level at the Giant Copper property, Allison Pass, B.C., to explore for the downward extension of the southeast section of the A.M. Zone reached its objective. A total of 751 feet of drifting and crosscutting was done prior to the winter closure of this project in mid-November. The surface work previously planned on the "20 Mile Grid" and "10 Level Grid" has been deferred.

At the Nickel Plate property, Hedley, B.C., where the objective is the testing of the copper-gold potential, surface exploration work, including mapping, geophysical and geochemical surveys and 1600 ft. of diamond drilling was carried out in the South Rim and north Nickel Plate areas. In addition, 1400 ft. of diamond drilling was done underground to

test for the extensions of the previously productive horizons, and the workings were extensively sampled. The results of this program have not yet been evaluated.

A 3,600 ft. surface diamond drilling program was completed at the Giant Soo lead-zinc property, Wasa, B.C. primarily to test the Estella shear below the Purcell diorite sill. The objective was reached but no economic concentrations of sulphides were intersected.

### Summary

The expanded exploration and development program at the Giant Nickel mine has added substantially to the ore reserves and has enhanced the prospects of further discoveries of ore, and the exploration programs at the Giant Copper and Nickel Syndicate properties have contributed significantly to the geological information with respect to them.

Yours truly,

*Frank Holland* *W.E. Clarke*

FRANK HOLLAND  
General Manager

W.E. CLARKE  
Chief Geologist -  
Manager Explorations

*L.P. Starck*  
L.P. STARCK  
Managing Director



**GIANT MASCOT MINE**  
HOPE, B. C.



GIANT MASCOT MINES LIMITED  
CONSOLIDATED BALANCE SHEET — AS AT SEPTEMBER 30, 1970  
(with comparative figures for 1969)

ASSETS

	1970	1969 (restated)
Current Assets		
Cash and short-term investments	\$ 3,955,032	\$1,439,049
Receivables:		
Concentrate settlements	115,661	32,775
Other	103,911	29,144
Portion of insurance recovery (Note 4)	584,179	—
Inventories, at estimated realizable values:		
Nickel cathodes	762,228	—
Concentrates	20,713	670,003
Supplies on hand, at cost	29,650	100,687
Prepaid expenses	8,235	63,131
Total current assets	5,579,609	2,334,789
Investment in affiliated company, Giant Explorations Limited (N.P.L.), at cost (Note 3)	61,400	10,775
Mining properties, petroleum and natural gas holdings and development costs (Notes 2, 4, and 5)	15,140,384	3,852,901
	<u>\$20,781,393</u>	<u>\$6,198,465</u>

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**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<u>1970</u>	<u>1969</u> <u>(restated)</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 697,164	\$ 469,528
Income and mining taxes payable	<u>612,000</u>	<u>263,698</u>
Total current liabilities	<u>1,309,164</u>	<u>733,226</u>
Deferred income and mining taxes (Note 2(d))	<u>1,040,000</u>	<u>630,000</u>
Shareholder's Equity:		
Capital Stock (Note 6)		
Authorized:		
10,000,000 shares of no par value		
Issued:		
8,693,728 shares (1969 – 4,693,728)	<u>16,273,848</u>	<u>4,273,848</u>
Capital deficit	<u>2,040,819</u>	<u>2,040,819</u>
	<u>14,233,029</u>	<u>2,233,029</u>
Retained Earnings	<u>4,199,200</u>	<u>2,602,210</u>
Total shareholders' equity	<u>18,432,229</u>	<u>4,835,239</u>
	<u><u>\$20,781,393</u></u>	<u><u>\$6,198,465</u></u>

Commitments (Notes 4 and 5)

Signed on behalf of the Board:

“L.P. STARCK”                      Director

“A.H. AINSWORTH”                Director

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GIANT MASCOT MINES LIMITED  
CONSOLIDATED STATEMENT OF EARNINGS —  
YEAR ENDED SEPTEMBER 30, 1970

(With comparative figures for 1969)

	1970	1969 (restated)
Value of mineral production	\$5,173,552	\$3,469,505
Cost of production:		
Mine development	235,751	311,319
Mining and exploration	1,179,729	1,254,211
Concentrating	452,394	470,860
Mine administration	115,600	95,394
Depreciation, depletion and amortization of deferred development costs (Note 2(a), (b) and (c))	339,827	271,159
	2,323,301	2,402,943
Operating profit	2,850,251	1,066,562
Interest income	155,709	65,245
	3,005,960	1,131,807
Other expenses		
Investigation of other properties	16,021	15,309
General administration	172,949	123,060
	188,970	138,369
Earnings before income and mining taxes	2,816,990	993,438
Provision for income and mining taxes:		
Current	810,000	303,698
Deferred (Note 2 (d))	410,000	110,000
	1,220,000	413,698
Net earnings for the year (Note 4)	\$1,596,990	\$ 579,740
Earnings per share		
Based on number of shares outstanding at year end	\$ .18	\$ .12
Based on weighted average of shares outstanding during the year (1970, 5,726,605; 1969, 4,684,698)	\$ .28	\$ .12

CONSOLIDATED STATEMENT OF RETAINED EARNINGS ---  
YEAR ENDED SEPTEMBER 30, 1970

(With comparative figures for 1969)

	<u>1970</u>	<u>1969</u> <u>(restated)</u>
Balance at beginning of year		
As previously reported	\$2,965,985	\$2,408,721
Adjustment of prior years' income:		
Deferral of development costs		
(Note 2 (c))	266,225	133,749
Deferred income and mining taxes		
(Note 2 (d))	<u>(630,000)</u>	<u>(520,000)</u>
	(363,775)	(386,251)
As restated	2,602,210	2,022,470
Net earnings for the year	<u>1,596,990</u>	<u>579,740</u>
Balance at end of year	<u><u>\$4,199,200</u></u>	<u><u>\$2,602,210</u></u>



GIANT MASCOT MINES LIMITED  
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS —  
YEAR ENDED SEPTEMBER 30, 1970

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(With comparative figures for 1969)

	1970	1969 (restated)
Source of Funds:		
Net earning for the year	\$1,596,990	\$ 579,740
Depreciation, depletion and amortization of deferred development costs	339,827	271,159
Deferred income and mining taxes	410,000	110,000
Funds provided by operations	2,346,817	960,899
Issue of capital stock for cash	3,000,000	17,120
Other	—	29,528
	5,346,817	1,007,547
Application of Funds:		
Acquisition of 4.52% interest in Panarctic Oils Ltd.	10,021,251	—
Less value ascribed to 3,000,000 shares issued as part consideration therefor	9,000,000	—
	1,021,251	—
Advances to Panarctic Syndicate for exploration	143,900	—
Additions to mineral claims, buildings and equipment	784,576	379,823
Deferred exploration, development and other expenditures:		
Nickel mine	323,347	135,479
Giant Copper	179,625	101,948
Giant Soo	40,920	—
Nickel Plate	94,742	2,170
Nickel Syndicate	38,949	10,372
Investment in shares of Giant Explorations Ltd. (N.P.L.)	50,625	—
	2,677,935	629,792
Increase in working capital	2,668,882	377,755
Working capital at beginning of year	1,601,563	1,223,808
Working capital at end of year	\$4,270,445	\$1,601,563

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — YEAR ENDED SEPTEMBER 30, 1970

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### 1. Principles of Consolidation:

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries, namely: Eagle Ridge Petroleum Ltd., which was acquired during the year; G.M. Explorations Limited (N.P.L.); Giant Soo Mines Limited (N.P.L.); and Mascot Copper Mines Limited (N.P.L.).

### 2. Changes in Accounting Policies:

#### (a) Depreciation:

Depreciation on the assets at the nickel mines near Hope, B.C. has been recorded at tax rates to August 2, 1970, the date of the fire, on the reducing balance basis, in accordance with the practice followed in previous years. No depreciation has been recorded since that date.

A straight-line depreciation policy has been adopted on buildings and machinery at the nickel mine to provide depreciation on the recommencement of production at the rate of 10% annually. Depreciation will continue to be provided at 30% on the reducing balance basis on other equipment.

Consistent with previous practice, no depreciation is being recorded on the assets of other properties which are not in production.

#### (b) Amortization of the Cost of Mineral Claims:

The cost of mineral claims at the operating nickel mine of \$284,860 is being amortized against earnings over twenty-five years commencing with the 1970 fiscal period. This charge amounts to \$11,391 for the year ended September 30, 1970.

#### (c) Deferred Nickel Mine Development Costs:

The Company has changed its policy, retroactively, to defer those mine development costs which contribute significantly to the life of the mine and to amortize these costs over a ten year period. Accordingly, costs less amortization, have been deferred as at September 30, 1970 in the amount of \$552,278 and the 1969 comparative figures have been restated to give effect to this change. The opening balance of retained earnings in 1969 has been increased by \$133,749 and mine development costs charged against earnings have been reduced by \$132,476 in 1969.

#### (d) Deferred Income and Mining Taxes:

The method of calculating deferred income and mining taxes has been changed retroactively and, accordingly, retained earnings at the beginning of the 1969 fiscal year have been adjusted for the income and mining taxes of \$520,000 deferred to that date arising from depreciation and development costs claimed for income and mining tax purposes in excess of the amounts charged against earnings in the accounts. Earnings have been restated for 1969 to reflect the adjustment in that year of \$110,000, and deferred income and mining taxes have been recorded in the current fiscal period increasing the amount deferred as at September 30, 1970 at \$1,040,000.

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## GIANT MASCOT MINES LIMITED

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### AUDITOR'S REPORT

To the Shareholders of

Giant Mascot Mines Limited

We have examined the consolidated balance sheet of Giant Mascot Mines Limited and its subsidiary companies as at September 30, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of Giant Mascot Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For the subsidiary of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the report of the other auditor for purposes of consolidation.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1970 and the results of their operations and the source

and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes in accounting policies as set out in Note 2 to the financial statements, with which changes we concur.

“Thorne, Gunn, Helliwell & Christenson”

Chartered Accountants

December 17, 1970

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PANARCTIC L. 67  
AT DRAKE POINT  
ON MELVILLE ISLAND





## GIANT MASCOT MINES LIMITED

**Registered Office:**

Suite 625, 925 West Georgia Street,  
Vancouver 1, British Columbia

**Executive Office:**

1131 Melville Street,  
Vancouver 5, British Columbia

**INFORMATION CIRCULAR***Solicitation of Proxies for an Extraordinary General Meeting to be held July 23, 1970*

This information circular is furnished in connection with the solicitation by the management of Giant Mascot Mines Limited ('the Company') of proxies to be used at an Extraordinary General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are Directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either:

- (a) by striking out the printed names and inserting such other person's name in the blank space provided in the form of proxy, or
  - (b) by completing another proper form of proxy;
- and, in either case, depositing the completed proxy at Suite 625, 925 West Georgia Street, Vancouver 1, B.C., not less than twenty-four (24) hours before the time for holding the meeting, or any adjournment thereof.

A shareholder who has given a proxy may revoke it either:

- (a) by signing a proxy bearing a later date and depositing it as aforesaid; or
- (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing and dating a written notice of such revocation (in the same manner as the instrument of proxy is required to be executed as set out in the Notes to the instrument of proxy herewith) and either depositing the same at the address and within the time aforesaid or with the Chairman of the meeting on the day of the meeting or on the day of any adjournment thereof; or
- (c) by attending the meeting in person and registering with the scrutineers, which shall serve as notice of revocation of any proxy previously filed but only as to matters which have not already been dealt with at the meeting.

Furthermore, the Articles of Association of the Company expressly provide that the casting of a vote on the basis of an instrument of proxy will be valid notwithstanding the previous death of the principal, or revocation of the proxy, or transfer of the share in respect of which the vote is to be cast, provided that no intimation in writing of such death, revocation or transfer shall have been received at the registered office of the Company not later than one (1) hour prior to the commencement of the Meeting, or by 5:00 o'clock P.M. (Vancouver Time) on the day of the Meeting, whichever shall first occur, or by the Chairman of the Meeting before the commencement of or during the Meeting, or any adjournment thereof, but if during the Meeting, or any adjournment thereof, such revocation shall be effective only as to those matters on which a vote shall not have already been cast.

**EXERCISE OF DISCRETION BY PROXIES**

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. In the absence of such direction, it is intended that such shares will be voted:

- (a) in favour of Ordinary Resolution No. 1 (Item (a) in the accompanying instrument of proxy) to approve the purchase from Cemp Investments Ltd. of all the issued shares of, and its advances to, Eagle Ridge

Petroleum Ltd.;

- (b) in favour of the Special Resolution (Item (b) in the accompanying instrument of proxy) to increase the number of shares which the Company is authorized to issue to 10,000,000 shares without nominal or par value; and
- (c) in favour of Ordinary Resolution No. 2 (Item (c) in the accompanying instrument of proxy) to authorize the Company, pursuant to Section 150 of the "Companies Act", to exercise the power to invest in other companies, as more particularly set out in the Notice of Meeting.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Circular, the management of the Company knows of no such amendment or variation, or matters to come before the meeting other than those referred to in the Notice of Meeting.

## **VOTING SHARES**

On the date of the accompanying Notice of Meeting the Company had outstanding 5,693,728 common shares without nominal or par value, each carrying the right to one vote, so that the aggregate number of votes attaching to all the outstanding shares is 5,693,728.

Shareholders registered prior to the time of the meeting will be entitled to attend and vote thereat. The person duly appointed under an instrument of proxy, however, will only be entitled to vote the shares represented thereby if the instrument of proxy (together with any instrument which may be required as set out in Note 3 on the instrument of proxy) is deposited at the address aforesaid not less than twenty-four (24) hours before the time for holding the meeting, or any adjournment thereof.

There are no persons who, or company which, beneficially owns, directly or indirectly, more than 10% of the voting shares other than Cemp Investments Ltd., which is the holder of and is entitled to vote 2,015,027 shares, being some 35.39% of the total shares of the Company presently issued and outstanding, of which it is beneficially entitled to 1,737,527 shares, being some 30.52% of the total shares of the Company presently issued and outstanding.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the Directors or Senior Officers of the Company has any material interest, direct or indirect, in the proposed purchase by the Company from Cemp Investments Ltd. ('Cemp') of all the issued shares of Eagle Ridge Petroleum Ltd. ('Eagle Ridge') and of the advances made by Cemp to Eagle Ridge, save that two of the Directors of the Company, namely, Rupert B. Carleton and John T. Wanamaker, are also Senior Officers of Cemp, and a third Director of the Company, Kenneth G. Bream, is a Senior Officer of Pacific Centre Limited, a company indirectly affiliated with Cemp. When the proposed transaction was approved by the Board of Directors of the Company, however, Messrs. Carleton, Wanamaker and Bream all abstained from voting with respect to it. Mr. Wanamaker is also a member of the Management Committee which directs the operations of the consortium carrying out exploration of the petroleum and natural gas acreage held by Panarctic Oils Ltd., and is a Director of that Company.

Cemp is the vendor of the shares of, and of the shareholder's advances made to, Eagle Ridge and, as set out herein under the heading "VOTING SHARES", is the principal holder of the shares of the Company. The cost to Cemp of the assets to be sold to the Company is some \$1,371,016 as at April 30, 1970.

Upon completion of the purchase of Eagle Ridge, Cemp will hold beneficially 4,737,527 shares of the Company, or some 54.49% of the total number of shares of the Company issued and outstanding after giving effect to the issuance of the 3,000,000 shares to Cemp upon the closing of the transaction.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Eagle Ridge Transaction: Ordinary Resolution No. 1:**

#### **(a) General**

The shareholders of Giant Mascot are being requested to consider and, if thought fit, to approve, by way of Ordinary Resolution No. 1 referred to in the accompanying Notice of Meeting, the purchase by the Company from Cemp of all the issued shares of Eagle Ridge and all the advances made by Cemp to Eagle Ridge to June 30, 1970, in the sum of \$1,370,756. In the result, Eagle Ridge, upon closing, will become a wholly owned subsidiary of the Company indebted to the Company as its parent in the amount of the advances previously made to it by Cemp. The purchase price payable for such shares and advances consists of the sum of \$1,000,000 in cash payable

by the Company to Cemp and 3,000,000 treasury shares of the Company to be allotted and issued to Cemp as fully paid and non-assessable at an attributed price of \$3.00 per share. In addition, the Company, upon the purchase of Cemp's interest in Eagle Ridge, will advance to Eagle Ridge sufficient monies to enable Eagle Ridge to repay to Cemp the advance to be made subsequent to June 30, 1970, by Cemp to Eagle Ridge to permit Eagle Ridge to meet the call in the sum of approximately \$143,736.94 payable by it, on or before July 15, 1970, pursuant to the agreements with Panarctic Oils Ltd. and the Panarctic consortium (See the heading herein "Petroleum and Natural Gas Holdings of Eagle Ridge: Holdings in Panarctic Oils Ltd. and Participation in the Panarctic Consortium"). On June 3, 1970, the date upon which the Board of Directors of the Company approved the proposed transaction, subject, inter alia, to the approval by the shareholders of the Company and acceptance by the securities regulatory bodies, the closing bid for shares of the Company on the Vancouver Stock Exchange was \$3.05 per share and the closing offering was \$3.10 per share. During the period from March 4 to June 3, 1970, the trading range for the Company's shares has been between a high of \$3.50 per share and a low of \$2.58 per share.

**(b) Eagle Ridge**

Eagle Ridge is a private company formed in 1966 under the laws of the Province of Alberta with an authorized capital of \$20,000 divided into 20,000 shares with a par value of \$1.00 each, of which 1,000 shares have been issued to date, all held by Cemp or its nominees. Attached as Annexure "A" forming part of this Circular are the financial statements of Eagle Ridge for its fiscal year ended April 30, 1970, as reported on by its Auditors, Price Waterhouse & Co., Chartered Accountants.

**(c) Petroleum and Natural Gas Holdings of Eagle Ridge:**

**(i) Holdings in Panarctic Oils Ltd. and Participation in the Panarctic Consortium:**

The principal holdings of Eagle Ridge consist of its 4.52% participation in the outstanding non-cumulative redeemable 6% preferred shares and the common shares of Panarctic Oils Ltd. ('Panarctic'), and in the consortium of mining and oil interests formed to explore the extensive petroleum and natural gas acreage held by Panarctic by way of permit and as a farmee in Canada's Arctic Islands. The consortium is presently conducting exploratory operations on Panarctic lands for the account of Panarctic, including the drilling of a series of exploratory wells, in fulfilment of the commitments given by members of the consortium as the consideration for the issuance of their shares in Panarctic. Further exploratory wells will be drilled for Panarctic under farmouts which Panarctic has granted to others. This comprehensive exploration and drilling program is designed to fulfil Panarctic's obligations in that regard under farmout agreements which it holds and thereby facilitate the earning by Panarctic of interests in lands covered by such agreements. It is presently contemplated that during later stages of the program the consortium will drill a number of option wells enabling Panarctic to increase the interests earned by it in certain lands. Participants in the consortium include several of Canada's largest mining companies and non-integrated independent oil operators.

Canada's Arctic Islands in which Panarctic's holdings are situate are considered, on the basis of available geological evidence, to contain one of the major sedimentary basins in Canada and as such are a major potential source of oil and gas production. The Submission to the National Energy Board dated November 12, 1969, by the Canadian Petroleum Association, a non-profit organization whose membership comprises more than 200 companies engaged in the oil and gas industry, contains the following geological discussion of the potential of the Arctic Islands for producing hydrocarbons:

"Potential reserves in the Arctic Islands are estimated at 43.5 billions of barrels of oil and 261 trillions of cubic feet of gas, based on 790,000 cubic miles of sediment and a yield of 55,000 barrels of crude oil per cubic mile. This estimate of Potential reserves is slightly larger than an earlier report by G. David Quirin for the Department of Northern Affairs and National Resources. Quirin's Potential reserves of 33.2 billion barrels was based on a lesser volume of sediments, and a factor of 50,000 barrels per cubic mile.

The Arctic Islands region is considered to be the largest sedimentary area in the Western Hemisphere with undeveloped prospects of oil and gas. Geological provinces include the Arctic Lowlands, the Franklin Fold Belt, The Sverdrup Basin and the Arctic Coastal Plain. The geology of these basins suggest very favourable potential for large hydrocarbon accumulations.

Sedimentary rocks thicken in a wedge from south to north with progressively younger rocks occurring northward into the Svedrup Basin. Thickness of the stratigraphic column is estimated as high as 70,000 feet in some areas, and includes formations from Cambrian to Tertiary in age. The region contains large closed structures, salt domes, reef sections and widespread facies changes which could provide effective traps for

oil or gas. The presence of oil seepages and oil sands as well as source rocks of petroleum support the potential of the region. In view of the many factors favourable to oil accumulation, a recovery factor of 55,000 barrels per cubic mile of sediment was used in estimating the Potential oil reserve of the region."

Panarctic, as set out in its recently published Annual Report for 1969, presently holds as a farmee and under permit a total of 50,701,043 acres of petroleum and natural gas lands in the Arctic Islands, and if it meets all its drilling and other obligations will earn a maximum of some 39,408,763 acres. As already noted, Panarctic itself has granted farmouts to others which will permit Panarctic to apply equivalent funds on additional prospects. The 1969 Annual Report by Panarctic contains the following summary of the farmouts granted:

"Panarctic has been approached by a large number of companies wanting to earn an interest in Panarctic acreage. As a result, Panarctic has been able to negotiate two advantageous farmouts so that nine of Panarctic's commitment wells will be drilled by third parties at no financial cost to Panarctic.

A farmout agreement has been arranged with King Resources Company whereby performance will evaluate 4,500,000 acres of the Company's holdings by drilling 24,000 feet of hole on Bathurst Island, three wildcats on Melville Island and one deep test on Loughheed Island. This drilling program is expected to start late in 1970. King Resources will earn varying interests to a maximum of 50% of Panarctic's entitlement.

A second farmout agreement was negotiated with Triad Oil Co. Ltd. Triad will conduct a 400-mile seismic program and drill two deep wildcats, one on Vanier Island and one on either Prince Patrick Island or Emerald Isle. A third deep wildcat may be drilled by option on the island not drilled by obligation. The seismic shooting is under way and drilling will commence in 1971. By performing the contractual obligations Triad will earn a 40% interest in 1,200,000 acres, and earn for Panarctic a 40% interest in that 1,200,000 acres plus an 80% interest in an additional 2,487,000 acres.

These selective farmouts will contribute significant information in areas of unknown potential, evaluating not only the blocks farmed out but also the adjacent and extensive holdings that Panarctic retains."

To date, the consortium has drilled for the account of Panarctic a total of five exploratory test wells, all on Melville Island. Of these test wells, two obligatory tests were drilled on the northwest corner at Marie Bay and Sandy Point and were plugged and abandoned after no oil or gas was found, but served to complete the drilling obligation to earn an undivided 80% interest in 3,637,779 permit acres. Two were drilled on the Sabine Peninsula on the northeastern side of the Island: the first of these, Panarctic Drake Point L-67, was drilled to 8,454 feet when two gas blowouts necessitated the removal of the rig which was then used to drill a second test 1,100 feet distant, the Drake Point K-67A. The results of drilling the second test well at Drake Point, which was drilled to a depth of 10,671 feet, are reported by Panarctic in its 1969 Annual Report, as follows:

"... two gas-bearing sections: 10 million cubic feet per day from a sand encountered at 3,700 feet, and 13 million cubic feet per day from another at 4,600 feet. Small amounts of oil and water were recovered in the test of the lower sand. Three more porous zones below 9,800 feet were indicated to be hydrocarbon-bearing by gasified drilling mud, surges of gas, condensate in the mud, and by interpretation of the well logs. All five attempts to drillstem-test these sands failed because the hole was washed out to a diameter too large to bridge with testing tools. These thin zones were judged to be noncommercial at this remote location, and drilling to recognized deeper objectives was discouraged by the pressure of other drilling commitments."

The fifth test well completed to date was located at Towson Point on the southeastern sector of Melville Island, and was plugged and abandoned at a depth of 5,123 feet.

Currently, the Panarctic Hoodoo Dome F-27, which was spudded on December 20, 1969, is being drilled to test the Hoodoo Dome on Ellef Ringnes Island to a depth of 11,000 feet. In its 1969 Annual Report, Panarctic refers to this test "as the first Panarctic test of one of the huge structures so evident at the surface in mesozoic rocks of the Sverdrup Basin" and describes the area of the structure on which the well is located as follows: "Its area of uplift is at least 175 square miles (112,000 acres) and its vertical closure exceeds 5,000 feet". By completing this test to contract depth, Panarctic will earn an undivided 50% interest in all rights on 787,475 permit acres on Ellef Ringnes Island. It is understood that a further exploratory test, the Panarctic Homestead J-60, is currently being drilled by Panarctic on the west shore of the Sabine Peninsula on Melville Island. For the remainder of 1970, the Panarctic drilling, as disclosed in its Annual Report, "will be concentrated on the Sabine Peninsula of Melville Island, Ellef Ringnes Island, King Christian Island, and possibly on the Fosheim Peninsula of Ellesmere Island" and "all wildcats will test major structures".

Since the formation of Panarctic in 1967 to April 30, 1970, members of the consortium and the Canadian Government have collectively contributed an aggregate of \$30,075,000 to the conduct of Panarctic's exploration and drilling program through the direct acquisition of shares by subscription in the case of the Government and the actual conduct of exploratory operations in the case of members of the consortium, shares of Panarctic being issued in direct proportion to the funds so subscribed or committed.

Eagle Ridge has been a Participant as to approximately a 4.52% interest since the consortium was formed in November, 1967. The obligations of Eagle Ridge as a Participant were guaranteed by Cemp and such guarantee will continue in force even after the Company acquires all Cemp's interest in Eagle Ridge, so that the obligations to Panarctic which the Company indirectly will be assuming by acquiring Eagle Ridge will be guaranteed by Cemp.

As at April 30, 1970, Eagle Ridge had expended \$1,358,618 on the program and held 135,523 preferred shares and 33,881 common shares of Panarctic. One of the features of the consortium is that a participant engaged in mining or petroleum and natural gas operations may be entitled to claim as a deduction for income tax purposes the exploration expenditures made on its behalf by the consortium to the same extent as if such expenditures had been made on its own lands.

In May, 1970, Panarctic, the Canadian Government and the consortium collectively agreed to spend a further \$20,050,000 on the same basis to carry on the exploration and drilling program during the period from March 1, 1970 to December 31, 1971, or such later date as all the parties may agree. Of that amount, a sum of not less than \$1.25 million in the aggregate will be expended by the consortium during the period ending January 15, 1971, of which Eagle Ridge's share will be approximately \$431,200, payable in three equal instalments on or before July 15 and October 15, 1970 and January 15, 1971. The timing of further calls to be made on the Participants for the period after January 15, 1971, in respect of the balance of such additional \$20,050,000 (of which the share of Eagle Ridge will amount in total to \$474,548) will be determined in December, 1970. In consideration of its commitment to contribute its share of the additional \$20,050,000, Eagle Ridge has already acquired an additional 22,587 common and 90,349 preferred shares of Panarctic.

Although there are no commitments beyond the expenditure of the additional \$20,050,000, it is within the contemplation of all parties that further monies may be required or desirable to complete the program. In that event, Eagle Ridge could then elect whether it wished to participate in any further commitment and maintain its present percentage of interest. If it elected to participate in such further commitment, or successive commitments, it would then be obliged to contribute its 4.52% share of the expenditures authorized; if it did not elect to participate, the interest which it has already acquired would be subject to dilution on a basis not yet determined.

Upon purchase of the shares of Eagle Ridge, sufficient monies would be made available by the Company to Eagle Ridge, from time to time, in such manner as may be most advantageous to the Company, to enable Eagle Ridge to meet its obligations in respect of the current \$20,050,000 exploration program. As previously noted herein, the assessment to be paid by Eagle Ridge on or before July 15, 1970, will be paid with monies advanced to it by Cemp which, on closing of the transaction, will be repaid by Eagle Ridge with monies advanced to Eagle Ridge by the Company for that purpose.

**(ii) Other P.&N.G. Interest:**

In addition, Eagle Ridge holds an undivided 1% beneficial interest in Alberta Crown Petroleum and Natural Gas Leases Nos. 103083 and 103084 covering lands included in the Pembina Cardium Unit No. 8, from which Eagle Ridge derived income of \$1,252 during the year ended April 30, 1970.

**(d) Independent Evaluation of Eagle Ridge's Participation in Panarctic:**

The Board of Directors of the Company retained E. C. Sievwright, Associates Limited, Consulting Economists, of Toronto, who act as consultants to and in respect of the oil and gas industry generally, and McDaniel Consultants (1965) Ltd., Calgary, who specialize in the analysis and appraisal of oil and gas properties, to furnish jointly an evaluation of Eagle Ridge and of its participation in Panarctic.

On June 3, 1970, Dr. Eric Sievwright, Ph.D., furnished the Directors of the Company with an oral analysis and valuation of the Panarctic complex. By letter dated June 12, 1970, a copy of which is attached as Annexure "B" to this Information Circular forming part hereof, Dr. Sievwright and Roderick R. McDaniel, P. Eng., have jointly placed a fair market value of \$10,048,000, as of June 3, 1970, on Eagle Ridge's participation in Panarctic.

**2. Increase in Share Capital: Special Resolution:**

In order to consummate the purchase of the shares of Eagle Ridge, the existing share capital of the Company consisting of 7,500,000 shares without nominal or par value, of which at this date a total of 5,693,728 shares are issued and outstanding, must be increased to permit the Company to issue to Cemp the 3,000,000 shares of the Company forming part of the purchase price for Eagle Ridge. Accordingly, the shareholders at the Extraordinary General Meeting are to be asked to approve, by way of the Special Resolution referred to in the accompanying Notice of Meeting, the increase in the number of shares which the Company is authorized to issue to 10,000,000 shares without nominal or par value by the creation of an additional 2,500,000 of such shares ranking equally with the existing shares. The maximum price or consideration at or for which the existing shares of the Company could have been or may be issued is \$3.00 per share and the same will apply in the case of the additional shares to be created, but under the Articles of Association of the Company such maximum price may be increased at any time by resolution of the Directors and upon payment to the Registrar of Companies of the fees attributable to such an increase.

**3. Authority to Invest in the Securities of Other Companies:**

**Ordinary Resolution No. 2:**

Under the "Companies Act" of the Province of British Columbia, the Company has the power to invest in the securities of other companies within the scope contemplated in Ordinary Resolution No. 2 set out in the accompanying Notice of Meeting, either if each such transaction is approved by shareholders or, alternatively, if the shareholders, by way of an ordinary resolution, confer a general authority to exercise such power. Such a general authority, however, expires at the next general meeting of the company unless it is continued by an ordinary resolution passed thereat. An ordinary resolution conferring such a general authority was duly adopted by the shareholders of the Company at the Annual General Meeting held on March 31, 1970, as was the case at previous Annual General Meetings of the Company. In the normal course, the general authority so conferred would have continued in force and effect until the next Annual General Meeting of the Company in 1971. In view of the fact that an intervening Extraordinary General Meeting of the Company is to be held on July 23, 1970, to consider Ordinary Resolution No. 1 and the Special Resolution, the shareholders at that Meeting are also being asked to approve the continuation of the general authority with respect to the securities of other companies, so that no question can arise as to such authority continuing in force until the next Annual General Meeting of the Company which it would otherwise have done in any event had the Extraordinary General Meeting not been held.

Of the matters to be considered at the Extraordinary General Meeting, the approval of the purchase by the Company from Cemp of all the issued shares of Eagle Ridge and of the advances made by Cemp to Eagle Ridge to June 30, 1970, is one that is not required to be submitted to a vote of shareholders, but inasmuch as Cemp is already a substantial shareholder of the Company and in view of the fact that in order to complete the transaction the number of shares which the Company is authorized to issue must be increased by way of a Special Resolution adopted by the shareholders in any event, the Board of Directors of the Company determined that the Company's agreement to purchase Cemp's interest in Eagle Ridge should be subject to approval by the shareholders. In the event of a negative vote by the shareholders, the management of the Company would not proceed with the transaction.

July 8, 1970

Price Waterhouse & Co.  
CHARTERED ACCOUNTANTS

5 PLACE VILLE MARIE  
MONTREAL 113

June 2, 1970

## AUDITORS' REPORT

To the Shareholders of  
Eagle Ridge Petroleum Ltd:

We have examined the balance sheet and statement of income and expense and deficit of Eagle Ridge Petroleum Ltd. for the year ended April 30, 1970 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at April 30, 1970 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

"PRICE WATERHOUSE & CO."

Chartered Accountants

(Incorporated under the Alberta Companies Act)

April 30, 1970

	1970	1969
ASSETS		
Cash	\$ 1,151	\$ 456
Accounts receivable	47	162
Investment in Panarctic Oils Ltd., at cost:		
135,523 preferred shares (1969 — 90,349)	1,355,230	903,490
33,881 common shares (1969 — 22,587)	3,388	2,258
	1,358,618	905,748
Investment in participation in petroleum and gas leases, at cost (Pembina Cardium Unit No. 8)	11,200	11,200
	\$1,371,016	\$917,566

## LIABILITIES AND SHAREHOLDERS' EQUITY

Subscriptions payable (Note 1)		
(guaranteed by parent company)	\$1,358,618	\$905,748
Less: Exploration Committee calls to date	<u>1,358,618</u>	<u>478,097</u>
	—	427,651
Advance from parent company (at no interest)	<u>1,370,756</u>	<u>489,497</u>
Total liabilities	<u>1,370,756</u>	<u>917,148</u>
Shareholders' equity:		
Capital stock —		
Authorized —		
20,000 common shares of a par value of \$1 each	\$20,000	
Issued—		
1,000 shares	1,000	1,000
Deficit, per statement attached	<u>740</u>	<u>582</u>
	260	418
	<u>\$1,371,016</u>	<u>\$917,566</u>

SIGNED ON BEHALF OF THE BOARD:

"N. GESSER" Director

"J.T. WANAMAKER" Director

# EAGLE RIDGE PETROLEUM LTD.

## STATEMENT OF INCOME AND EXPENSE AND DEFICIT

*For the year ended April 30, 1970*

	<u>1970</u>	<u>1969</u>
Income from investment in petroleum and gas leases	<u>\$1,252</u>	<u>\$ 822</u>
Expenses:		
Legal and audit fees	1,300	1,200
Bank charges and interest	99	6
Filing fees	11	11
Travelling		479
	<u>1,410</u>	<u>1,696</u>
Loss for the year (Note 2)	158	874
Retained earnings (deficit), beginning of year	<u>(582)</u>	<u>292</u>
Deficit, end of year	<u>\$ 740</u>	<u>\$ 582</u>

# EAGLE RIDGE PETROLEUM LTD.

## NOTES TO FINANCIAL STATEMENTS

*April 30, 1970*

### **Note 1:**

By an agreement dated May 15, 1970, the Company subscribed for 90,349 additional preferred and 22,587 additional common shares of Panarctic Oils Ltd. at an aggregate cost of \$905,748, payable on call. The first three assessments of \$143,736 each are scheduled for July 15 and October 15, 1970 and January 15, 1971.

### **Note 2:**

The Company has agreed to incur certain expenditures in developing oil leases owned by Panarctic Oils Ltd. in consideration for which it has acquired its share interest in Panarctic Oils Ltd. Under the provisions of Section 83 A(8) of the Income Tax Act, the Company may deduct these expenditures (which aggregate \$1,138,347 to April 30, 1970) in computing its future taxable income.

**E. C. SIEWWRIGHT, ASSOCIATES LIMITED**

CONSULTING ECONOMISTS

SUITE 1002, 95 ST. CLAIR AVE. WEST

TORONTO 7, ONTARIO

TEL (416) 922-2781

June 12, 1970

L.P. Starck, Esq.  
 President  
 Giant Mascot Mines Limited  
 1131 Melville Street  
 Vancouver 5, B.C.


Dear Sir:

Pursuant to your request, we the undersigned have prepared an evaluation of the indicated interest of Eagle Ridge Petroleum Ltd. of some 4.52% of Panarctic Oils Ltd., as of June 3, 1970. The interests in question were estimated to have a fair market value of some \$10,048,000 as of that date. In view of the fact that essentially all of the value of Panarctic Oils Ltd. is understood to be interests in the Arctic Islands area of northern Canada, this evaluation was predicated on the estimated value of those essentially unexplored and unproven lands, but with consideration to the fact that a significant natural gas discovery has been reported in the area. The interests in question were therefore primarily evaluated on the basis of factors such as accessibility, geological prospects, potential value of production, industry activity, transportation facilities, marketing factors, quality of production, and the going price of unproven acreage in the area in question.


It was assumed that all of Panarctic's interests would be in good standing with respect to rentals, obligations, etc. as of the dating of this report. It was further assumed that the undertakings of Eagle Ridge Petroleum Ltd. with respect to Panarctic Oils Ltd.'s operation would be on a current basis, as of the dating of this evaluation.

The extent and character of ownership and all other factual data supplied by Eagle Ridge Petroleum Ltd., either directly or indirectly, were accepted as represented. In view of the fact that an evaluation of this type is subject to rapid changes in the factors on which it is based, the fair market value estimated herein must necessarily be restricted to the effective date of this report.

Respectfully submitted.

  
 E.C. Sievwright, Ph.D.

McDaniel Consultants (1965) Ltd.

  
 R.R. McDaniel, P.Eng.



## GIANT MASCOT MINES LIMITED

### LETTER TO SHAREHOLDERS

To the Shareholders:

The Board of Directors of Giant Mascot Mines Limited on June 3, 1970, following a detailed discussion with Dr. Eric Sievwright, Ph.D., of E.C. Sievwright, Associates Limited, Consulting Economists, of Toronto, acting as independent consultants to the Company, approved a proposal for the purchase by Giant Mascot from Cemp Investments Ltd. of Eagle Ridge Petroleum Ltd., a wholly owned subsidiary of Cemp, whose principal holding is a 4.52% participation in Panarctic Oils Ltd. and its associated consortium. On the following day, the proposal was approved by the Board of Directors of Cemp and an announcement was made on behalf of Giant Mascot to the Vancouver and Toronto Stock Exchanges and to the press.

The agreement for the purchase of Eagle Ridge from Cemp is subject to approval by the shareholders of Giant Mascot and its acceptance by the Vancouver and Toronto Stock Exchanges. The purchase price payable by Giant Mascot to Cemp for Eagle Ridge is \$1,000,000 in cash and 3,000,000 treasury shares of Giant Mascot to be issued as fully paid at an attributed price of \$3.00 per share. Giant Mascot is presently authorized to issue 7,500,000 shares without nominal or par value, of which a total of 5,693,728 shares are presently issued and outstanding. Accordingly, if the purchase of Eagle Ridge is to be consummated, the number of shares which Giant Mascot is authorized to issue must be increased. In this connection, the Board of Directors of Giant Mascot are of the opinion that the authorized share capital of Giant Mascot should be increased to 10,000,000 shares without nominal or par value, of which, upon completion of the purchase of Eagle Ridge, there would be a total of 8,693,728 shares issued and outstanding.

As set out in the accompanying Notice, an Extraordinary General Meeting of Giant Mascot is to be held on July 23, 1970, for the primary purposes of approving the purchase of Eagle Ridge by Giant Mascot from Cemp and of increasing the authorized share capital of Giant Mascot to permit it to do so. In addition, however, the shareholders will also be asked to approve an ordinary resolution to continue Giant Mascot's authority to deal with securities of other companies, which is placed before the shareholders for approval at each Annual General Meeting. This ordinary resolution in the usual form is to be placed before the shareholders at the forthcoming meeting, on the advice of counsel, simply because an extraordinary general meeting is being held between Annual General Meetings.

Eagle Ridge is a private Alberta company whose principal holding is its 4.52% participation in the shares of Panarctic Oils Ltd. and in the consortium of mining and oil interests formed to explore the substantial oil and gas acreage which Panarctic holds in Canada's Arctic Islands. To evaluate Eagle Ridge's participation in Panarctic and the related consortium, Giant Mascot retained E. C. Sievwright, Associates Limited, Consulting Economists, and McDaniel Consultants (1965) Ltd., and a copy of the joint evaluation made by Dr. Eric Sievwright, Ph.D., and Roderick R. McDaniel, P. Eng., is attached as Annexure "B" to the Information Circular which accompanies this letter. The audited financial statements of Eagle Ridge for its fiscal year ended April 30, 1970, are attached to the accompanying Circular as Annexure "A", and the Circular itself contains detailed information with respect to Eagle Ridge, its participation in and obligations to Panarctic and the consortium, and, on the basis of published sources, the holdings and operations of the Panarctic complex.

The Directors of Giant Mascot are of the opinion that the proposed purchase of Eagle Ridge represents a unique opportunity for Giant Mascot to broaden its participation in the natural resource field generally in Canada, and one which would most certainly not be available to the Company were it not for the fact that Cemp, through Eagle Ridge, was one of the original participants in Panarctic, and is prepared to dispose of its interest to Giant Mascot in which Cemp is already a substantial shareholder. In this connection, too, it should be noted that the three representatives of Cemp on the Board of Directors of Giant Mascot all abstained when the proposal was approved, and that the remaining Directors all favour the proposal and recommend its approval by the shareholders.

The Officers and Directors of Giant Mascot, in approving and recommending the proposal, have done so essentially on the basis of the long term prospects for the growth of Giant Mascot which would be afforded by participation in the discovery and development of large energy resources, the products from which in time should be marketable on the North American continent where economic forecasts indicate that the supply of energy from hydrocarbons will progressively fall behind the growth of the market potential. As indicated in the

Information Circular, there exists a huge potential for the production of oil and natural gas in Canada's Arctic Islands, and although participation in the exploration of this potential must be considered as speculative, especially in light of the comparative remoteness of the area and the high costs entailed, such an opportunity is at the very least a very large and favourable exploration venture well within the Company's present financial capacity, which, if successful, would serve to establish and maintain Giant Mascot as a company of major and continuing substance in the natural resource field.

It will be apparent, of course, that there are many technological and economic problems which must be solved before the economic potential of the Arctic Islands can be realized. On the other hand, many serious technical difficulties involved in exploring for oil and gas in the Arctic have already been overcome and research is continually proceeding for ways to meet the problems of development, exploitation and marketing. As a result of the discovery of oil on the north slope of Alaska, notably the Prudhoe Bay oilfield, and at Atkinson Point on the Beaufort Peninsula in Canadian territory, some 110 miles northeast of Inuvik in the Mackenzie Delta, plans for the construction in the near future of pipeline facilities to exploit the huge reserves in those areas have been announced. As is always the case with the development of natural resources, if the reserves available are sufficiently substantial to justify the capital costs, technological techniques are evolved for their exploitation. Another significant technical development, which could well be relevant to the exploitation of the potential of Canada's Arctic Islands, was the conquest of the Northwest Passage by the tanker "Manhattan", the first commercial vessel to complete the voyage. Although the economic feasibility of that venture, undertaken primarily in connection with the Prudhoe Bay discovery, has not yet been established, it is obvious that it will have yielded a vast amount of information which could well facilitate a more rapid exploitation of any major discovery in the Arctic Islands.

In terms of the potential for the marketing of products from the Arctic Islands, it should be borne in mind, of course, that although the discoveries at Prudhoe Bay and at Atkinson Point have given impetus to the evolution of techniques for their exploitation which could well assist in the development of any major discovery which might be made on Panarctic's holdings, both the Prudhoe Bay oilfield and Atkinson Point production would represent sources of hydrocarbon products which would be in competition with any Panarctic production in North American markets. As for the market for oil in Northern Europe, on the other hand, the more easterly location of the Arctic Islands could well give any Panarctic production a competitive advantage over the more westerly locations at Prudhoe Bay and Atkinson Point. It is not feasible at this time, however, to assess the future potential of the European market for Arctic production in view of the discoveries which are presently being made in the North Sea.

The remoteness, the cost of exploration and problems in transportation and marketing, it is fair to say, are in effect discount factors and as such constitute the reason why the estimate of the present value of the Eagle Ridge participation in the exploration and development of holdings of such undoubtedly substantial potential is not greater than the conservative estimate of some \$10,000,000 which Giant Mascot's consultants placed on it. A very positive feature is the fact that Panarctic represents an essentially independent Canadian enterprise for the exploitation of the resources of Canada's Arctic Islands, in which the Government of Canada is a contributing participant as to a 45% interest in Panarctic.

Thus, after giving what we consider to be due weight to all the aspects, both as to the potential and as to the risks involved, the Directors recommend the proposal for approval by the shareholders on the footing that there are few, if indeed any, resource developments in which Giant Mascot could participate with a potential comparable with that afforded by the present opportunity to share in the exploration of Panarctic's holdings and in the rewards which could well flow from their successful exploitation.

ON BEHALF OF THE BOARD

L. P. Starck, P. Eng.,  
President.

## GIANT MASCOT MINES LIMITED

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Giant Mascot Mines Limited will be held in the Waddington Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Thursday, the 23rd day of July, 1970, at the hour of 11:00 o'clock in the forenoon (P.D.T.), for the purposes of:

- (A) considering and, if thought fit, approving, with or without modification, the following Ordinary and Special Resolutions both of which must be adopted if the Company is to proceed with the proposed transaction referred to in the first Ordinary Resolution:

#### Ordinary Resolution No. 1:

"RESOLVED, as an Ordinary Resolution, that the purchase by the Company from Cemp Investments Ltd. ('Cemp') of all the issued shares of Eagle Ridge Petroleum Ltd. ('Eagle Ridge') and all the advances made by Cemp to Eagle Ridge up to June 30, 1970, for a purchase price payable by the Company to Cemp consisting of \$1,000,000 in cash and 3,000,000 treasury shares of the Company to be allotted and issued to Cemp as fully paid at an attributed price of \$3 per share, be approved."

#### Special Resolution:

"RESOLVED, as a Special Resolution, that:

1. The number of shares which the Company is authorized to issue be increased from 7,500,000 shares without nominal or par value to 10,000,000 shares without nominal or par value with a maximum price or consideration of Three Dollars (\$3.00) each by the creation of an additional 2,500,000 of such shares which shall rank *pari passu* in all respects with the existing shares of the Company;
2. The clause numbered 5th of the Memorandum of Association of the Company be deleted and the following substituted therefor:  
'5th The Company is authorized to issue Ten Million (10,000,000) shares without nominal or par value, and the capital shall with respect to those shares be at least equal to the aggregate amount paid to the Company on or for such of those shares as are issued, together with such amounts as may from time to time be added by ordinary resolution to such capital.' "; and

- (B) adopting a further Ordinary Resolution (not related to the foregoing resolutions) to continue the general authority for investment in corporate securities (as conferred by a like ordinary resolution adopted at the last Annual General Meeting and previous Annual General Meetings) in the following terms:

#### Ordinary Resolution No. 2:

"RESOLVED, as an Ordinary Resolution, that the Company be authorized, pursuant to Section 150 of the "Companies Act", to take or otherwise acquire and hold the shares, stocks, debentures, or other securities of any company wheresoever incorporated, having objects altogether or in part similar to those of the Company, or carrying on any business capable of being conducted so as, directly or indirectly, to benefit the Company, and to sell or reissue, with or without guarantee, or otherwise deal with the same; and to empower the Board of Directors to exercise such authority on the Company's behalf."

An Information Circular accompanies this Notice containing detailed information with respect to Eagle Ridge Petroleum Ltd. and its holdings, as well as audited financial statements of that Company for its fiscal year ended April 30, 1970. The attention of shareholders is drawn to the disclosure made in the Information Circular as to the interest of Cemp Investments Ltd. ('Cemp'), the principal holder of the shares of the Company, in the proposed transaction relating to Eagle Ridge Petroleum Ltd., a wholly-owned subsidiary of Cemp. A letter to the Shareholders from the Board of Directors also accompanies this Notice.

If you are unable to attend the Extraordinary General Meeting in person, kindly read the Notes on the instrument of proxy enclosed herewith and then complete and return the proxy within the time stipulated in the Notes. As set out in the Notes, the enclosed proxy is solicited by management but you may amend it, if you so desire, by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the meeting.

DATED at Vancouver, British Columbia, this 8th day of July, 1970.

ON BEHALF OF THE BOARD

"ALLAN H. AINSWORTH"

Secretary

